

**MINUTES OF REGULAR MEETING
ILLINOIS GAMING BOARD
January 22, 2002
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

The Illinois Gaming Board ("Board") held its Regular Meeting on January 22, 2002 in the Auditorium on the 5th floor of the State of Illinois Building, Chicago, Illinois, pursuant to the Illinois Open Meetings Act, 5 ILCS 120/1 et seq.

The following Board Members were present: Chairman Gregory Jones and Members Ira Rogal, Elzie Higginbottom, Robert Mariano and Tobias Barry.

Also in attendance were: Administrator Philip Parenti, Deputy Administrators Thomas Swoik, Joseph Haughey, Allan McDonald, James Wagner, Chief Legal Counsel Mark Ostrowski, and Deputy Chief Legal Counsel Jeannette Tamayo, as well as other members of the staff.

Chairman Jones convened the January 22, 2002 Regular Meeting at 9:40 A.M. in the 3rd floor Board Conference Room. Member Mariano moved **that the Board retire to Closed Session pursuant to Section 2(c), paragraphs (1), (11), (14), and (21) of the Open Meetings Act and Section 6(d) of the Riverboat Gambling Act to discuss the following subject matters:**

- 1. Pending litigation and matters involving probable litigation;**
- 2. Investigations concerning applicants and licensees;**
- 3. Personnel matters; and**
- 4. Closed session minutes.**

Member Higginbottom seconded the motion. The Board adopted the motion by unanimous consent and retired to closed session.

The Board convened its Open Session at 1:25 P.M.

Chairman's Report

Chairman Jones assured the public and the media that when the Board takes action on the Emerald Casino license, it would be done in a public session. Chairman Jones stated that the Emerald issue is not on the agenda and there would not be any discussion on Emerald during the meeting. Chairman Jones stated that since the matter is in litigation, the Board has decided that they would have no comment on the issue following the meeting.

Approval of Minutes

Member Higginbottom moved that the Board approve the following closed session minutes of the Illinois Gaming Board:

- **Closed Session Minutes:**

- **Regular Meeting of December 6, 2001**

Member Mariano seconded the motion. The Board approved the motion unanimously by voice vote.

Member Higginbottom moved that the Board approve the following open session minutes of the Illinois Gaming Board:

- **Open Session Minutes:**

- **Regular Meeting of December 6, 2001**

Member Mariano seconded the motion. The Board approved the motion unanimously by voice vote.

Member Mariano moved that **all portions of the closed session minutes of the Illinois Gaming Board from June 19, 2001 through and including December 6, 2001, for which the need for confidentiality no longer exists, be made available for public inspection in accordance with the Open Meetings Act.** Member Higginbottom seconded the motion. The Board approved the motion unanimously by voice vote.

Public Commentary

Rev. Tom Grey, Executive Director, National Coalition Against Legalized Gambling was present to discuss the Emerald Casino. Rev. Grey stated that the Board does much of its work behind closed doors and when they come out of Closed Session there's not much argument or discussion. Rev. Grey stated once a decision is made on the Emerald Casino, the Board will allow public comment, but by the time they come out of Closed Session, they would have already made a decision. Rev. Grey diverted his attention to the new Board members and reiterated to them their tasks as Board members. Rev. Grey stated that the mission of the Illinois Gaming Board is to regulate the riverboat gambling industry in Illinois thoroughly and effectively in order to ensure the integrity of the games, as well as the public confidence in the regulatory process. Rev. Grey stated gambling was brought to Illinois under the conditions that it would be regulated exceedingly. Rev. Grey stated that in 1994 the Riverboat Gambling Act was intended to promote tourism and assist economic development in Illinois, and at the same time it prescribed a strict regulatory framework and created the Illinois Gaming Board. Rev. Grey stated that the regulatory provisions and laws were designed to be strict. Rev. Grey stated that he expects no less than strict. Rev. Grey read several headings of news articles that pertained to the Emerald Casino and mob ties. Rev. Grey also referred to articles that pertained to the Emerald Casino and MGM Mirage. Rev. Grey stated that there are a series of reports that would suggest that there is a deal. Rev. Grey illustrated his point by using two boxes of sealed playing cards. Rev. Grey stated that the cards are sealed and are in the wrapper, which is what the Board regulates. Rev. Grey stated that he doubts that there are any decks that the Board would allow to be played on any of the casinos that aren't regulated. One of the two boxes of sealed playing cards had a hole in it; Rev. Grey used that box in reference to Administrator Parenti and Emerald Casino. Rev. Grey stated that the Board has a deck, which the Board has been enforcing, and that if that hand is played out, the Board would win. Rev. Grey stated that the Board regulates a project where people lose money everyday, and every time they lose it's a win for the casinos in the State of Illinois. Rev. Grey stated that when the people lose, they can't come to the Board and testify or get a lawyer to get their money back, but there are owners of casinos that are standing before the Board to get money. Rev. Grey asked the Board how they could give owners a dime during this moment of time in history and not abrogate their responsibility to every person who gambles that believes that it's a fair game. Rev. Grey questioned whom the deal with MGM would benefit. Rev. Grey asked if the deal was for the benefit for the Governor, Mayor Stephens, the Flynns, or the minority owners. Rev. Grey stated that the choice is simple, the Board can play by the rules and regulations or the Board can go for the "sucker deal".

Anita Bedell, Executive Director, Illinois Church Action on Alcohol & Addiction Problems was present to discuss the Emerald Casino and reports that a settlement has been worked out to sell ownership of the Emerald Casino to MGM Mirage for \$650 million. Ms. Bedell stated that two years ago, when Chairman Jones was appointed to the Board, he assured the public of the Board's commitment to vigorously protect and maintain the integrity of casino gambling in the state. Ms. Bedell stated that since Chairman Jones' appointment, Board members have changed as well as the Administrator. Ms. Bedell asked the Board for the

same assurance. Ms. Bedell stated that one year ago the Gaming Board looked at the facts presented by the Administrator and staff voted to revoke the license of the Emerald Casino. Ms. Bedell stated that in the disciplinary complaint seven examples were given where Emerald, its agents or its employees engaged in activity which tends to discredit the Illinois gaming industry. Ms. Bedell stated that according to Section 3000.235 of the Gaming Board Rules, "An ownership interest in an entity with a finding of preliminary suitability or in a holder of an Owner's license may only be transferred with leave of the Board." Ms. Bedell stated that Board approval is needed to transfer ownership; however, it appears that the Board cannot transfer ownership in a company that has not maintained its suitability to be licensed in Illinois. Ms. Bedell stated that this creates a dilemma for special interests that need to compromise the integrity of the Board in order to consummate the deal. Ms. Bedell stated that minority owners, mayors, race track owners, and others who will get a "cut" when the tenth license is operational, are pressuring the Board to agree to a settlement. Ms. Bedell stated that the Gaming Board is a state regulatory agency charged with the responsibility of administering, regulating, and enforcing the system of riverboat gambling. Ms. Bedell stated that if the Board approves a settlement and allows the owners of the Emerald Casino to sell their ownership to MGM Mirage, it would undercut the public's confidence in the integrity of the Board. Ms. Bedell asked that the Board reject the settlement and wait for the courts to order the company to surrender the license.

Dan Proft was present on behalf of State Senator Patrick J. O'Malley with a prepared statement that expressed Senator O'Malley's concerns about the direction and possible expansion of riverboat gaming in the State of Illinois. Mr. Proft read the following: I have appeared before the Board previously to oppose awarding the 10th gaming license to Rosemont. Last year the Board wisely decided to revoke Emerald's license because it was determined that the ownership interest had misrepresented the way the Rosemont deal had come together. Emerald failed to inform the Board of stock sales, started construction without Board approval, and allowed investors with Chicago outfit ties into the deal. The Board has recently proved prescient in that one of those investors with allege outfit ties has recently been indicted for fraud. In the official minutes, the Board determined "Donald Flynn and Kevin Flynn are unsuitable as Key Persons of the Emerald Casino". This Board went on about the Emerald Rosemont deal to say "The Board must be vigilant in ensuring organized crime does not infiltrate or gain a foothold in Illinois' casino industry". In this case there is evidence that organized crime has attempt to gain such a foothold, so what has changed? The representative of this Board has apparently brokered a deal for MGM Mirage, Inc. to come in and take over the Emerald license and operate a casino in Rosemont. Apparently we are suppose to be grateful that, according to news reports, the State of Illinois is to receive \$160 million dollars as part of this deal. This is a bad deal and this Board should stand by its earlier decisions and reject it. This Board signaled the end of an era of complicity when it stood up against the clout-laden insiders last year, and rejected the Emerald Rosemont deal. I urge this Board to remain steadfast on this issue. I would further suggest that the \$160 million dollars the State would allegedly receive on this deal is a pittance compared to the revenues that would be generated if this 10th license were to be competitively bid. What is proposed here is essentially the granting of a monopoly license in what I understand is the 8th largest convention city in America. The public deserves a lot

more information on the nature and specifics of this proposed deal before this Board should consider it. Further, in one year there will be a new Governor and a new General Assembly taking over. The leadership of this State will change and the way the State does business, with respect to gaming, is likely to change. It is very clear that gaming interest in Illinois has been reaping windfall profits and Illinois has not received anything near market value for these licenses. Rather than making a midnight deal that involves hundreds of millions of dollars and very little public disclosure to date, let's take the time to properly scrutinize, not only the deal on the Emerald license, but also the way we do gaming in Illinois.

Owner Licensee Items

HOLLYWOOD CASINO AURORA, INC.- DAVID BLAHA, INTERNAL AUDIT MANAGER – LEVEL ONE – Rodney Philipe, General Counsel, was present on behalf of David Blaha to request approval as a Level One.

Based on a review of the staff's investigation and recommendation, Member Higginbottom moved that **the Board approve David Blaha as a Level 1 Occupational Licensee of Hollywood Casino Aurora, Inc.** Member Rogal seconded the motion. The Board approved the motion unanimously by voice vote.

ROCK ISLAND BOATWORKS, INC. – TODD A. CONNELLY, SLOT MANAGER – LEVEL ONE – Ron Wicks, General Manager, was present on behalf of Todd A. Connelly to request approval as a Level One.

Based on a review of the staff's investigation and recommendation, Member Rogal moved that **the Board approve Todd A. Connelly as a Level 1 Occupational Licensee of Rock Island Boatworks, Inc.** Member Barry seconded the motion. The Board approved the motion unanimously by voice vote.

Suppliers Licensees

INNOVATIVE GAMING CORPORATION OF AMERICA – REQUEST TO WITHDRAW APPLICATION – Mark Schroeder, Attorney, was present on behalf of Innovative Gaming Corporation of America to request approval to withdraw its application for the renewal of its Supplier's license.

Based on the staff's investigation and recommendation, Member Higginbottom moved that **the Board approve the request of Innovative Gaming Corporation of America to withdraw its application for the renewal of its Supplier's license.** Member Mariano seconded the motion. The Board approved the motion unanimously by voice vote.

MIDWEST GAME SUPPLY COMPANY - NEW SUPPLIER - Charles and Linda Sohm were present on their own behalf to request approval of the application of Midwest Game Supply Company.

Based on the staff's investigation and recommendation, Member Mariano moved that **the Board approve the application of Midwest Game Supply Company for a Supplier's license for a period of one year expiring January 2003.**

Based on the staff's investigation and recommendation, Member Mariano further moved that **the Board certify and approve the following positions and persons as Key Persons of the licensee:**

1. **President;**
2. **Vice President;**
3. **Linda L. Sohm; and**
4. **Charles P. Sohm.**

Member Mariano moved that **the Board authorize Midwest Game Supply Company to manufacture, sell or lease the following products in the State of Illinois:**

1. **Certified Perfect Dice;**
2. **Casino Chips;**
3. **Table game layouts approved – Baccarat, Mini-baccarat, Big Six, Blackjack (Twenty-one), Caribbean Draw Poker, Caribbean Stud Poker, Craps, Let It Ride Poker, Let It Ride Bonus, Multi-Action Blackjack, Pai Gow Poker, Poker, Red Dog, Roulette, Royal Match 21, Sic Bo, Single Hand 21, Spanish 21, Three Card Poker, Twenty-One Super Bucks, War and Wild Aruba Stud; and**
4. **Roulette and Big Six wheels.**

Member Higginbottom seconded the motion. The Board approved the motion unanimously by voice vote.

Occupational Licensees

Based on the staff's investigation and recommendation, Member Rogal moved that **the Board approve 174 applications for an Occupational License Level 2 and 468 applications for an Occupational License Level 3.**

Member Rogal further moved that **the Board direct the Administrator to issue Notices of Denial to the following seven applicants for Level 2 and Level 3 licenses, each of whom previously received notice that staff intended to recommend denial and either did not respond or provide additional information to rebut that recommendation:**

1. **Allen Freeman;**
2. **Juan Munoz;**

3. **Edward Harvey;**
4. **Kristopher Tuner;**
5. **Alexander Trejo;**
6. **Vincent Settani; and**
7. **Lloyd Russell.**

Member Barry seconded the motion. The Board approved the motion unanimously by voice vote.

At 1:55 P.M. pursuant to Section 2(c), paragraph 11 of the Open Meetings Act, Member Higginbottom moved that **the Board retire to Closed Session to discuss litigation matters.** Member Mariano seconded the motion. The Board approved the motion unanimously by voice vote.

The Board adjourned Closed Session at 4:30 P.M.

Respectfully submitted,

Monica Thomas
Secretary to the Board